



FACT SHEET

U.S.-Peru Trade Promotion Agreement **North Dakota Farmers Will Benefit**

November 2007

The U.S.-Peru Trade Promotion Agreement (PTPA) provides increased market access to North Dakota's agricultural exports by making agricultural trade a two-way street and leveling the playing field with respect to third country competitors in the Peruvian market. With immediate elimination of duties on nearly 90 percent of current U.S. trade to Peru, the PTPA will provide North Dakota producers and exporters the opportunity not only to preserve but to increase market share in Peru. The American Farm Bureau and over 40 other agricultural industry and farm groups strongly support the agreement stating that the agreement would benefit all U.S. agricultural sectors and allow the United States to become a competitive supplier of agricultural products to Peru.

Exports of farm products boost North Dakota's farm prices and income. Such exports support about 22,300 jobs both on and off the farm in food processing, storage, and transportation. Agricultural exports amounted to \$1.9 billion and made an important contribution to North Dakota's farm cash receipts in 2006 that totaled \$4 billion.

Wheat and Barley. As the nation's second largest wheat exporter, with wheat and barley ranked first and tenth in state farm cash receipts, North Dakota's wheat and barley producers benefit from the PTPA.

- Peru will immediately eliminate the 17-percent tariff (up to 68 percent allowed by the World Trade Organization (WTO) on certain wheat products) on wheat imports from the United States as well as the 17 to 25-percent tariff (30 percent allowed by the WTO) on barley imports.
- Peru will immediately eliminate tariffs on processed wheat products and on barley malt.
- *The National Association of Wheat Growers, the National Grain and Feed Association, the National Grain Trade Council, the North American Export Grain Association, the Wheat Export Trade Education Committee, the North American Millers' Association, the National Barley Growers Association, and the American Bakers Association publicly support the PTPA.*

Beef. As the second largest source of farm cash receipts at over \$726 million, North Dakota's ranchers and beef industry benefit from the PTPA.

- Peru will immediately eliminate the 25-percent duties (30-percent allowed by the WTO) on the beef products of most importance to the U.S. beef industry – Prime and Choice cuts.
- U.S. exporters of variety meats (offals) will immediately receive duty-free access under a 10,000-ton tariff-rate quota (TRQ) that will grow six percent compounded annually. The 12-percent over-quota tariff will be phased out over ten years.
- Peru will provide immediate duty-free access for U.S. exports of standard quality beef through the establishment of an 800-ton TRQ that will grow six percent compounded annually. The 25-percent over-quota tariff will be phased out over 11 years.
- The United States will phase out its beef tariffs over 15 years except for those tariffs that are already duty-free under the Andean Trade Promotion and Drug Eradication Act (ATPDEA). The PTPA will continue the duty-free treatment.
- Peru agreed to continue to recognize the equivalence of the U.S. meat inspection and certification system to its own system.
- *The American Meat Institute, the National Cattlemen's Beef Association, the National Renderers Association, the U.S. Meat Export Federation, the US Hides, Skin and Leather Association, U.S. Livestock Genetics Export, Inc., and the Pet Food Institute publicly support the PTPA.*

Soybeans and Products. As the state's second largest agricultural export and third largest source of farm cash receipts, North Dakota's soybean producers benefit from the PTPA.

- Peru will immediately eliminate duties, currently ranging from four to twelve percent (30 percent allowed by the WTO) on soybeans, soybean meal, and crude soybean oil.
- Peru will provide duty-free access for refined soybean oil by establishing a 7,000-ton, duty-free TRQ that will grow five percent compounded annually. Peru will phase out the over-quota tariff over ten years.
- *The American Soybean Association, the National Oilseed Processors Association, the American Feed Industry Association, and the Pet Food Institute publicly support the PTPA.*

Corn. Providing the fourth largest source of farm cash receipts, North Dakota's corn producers benefit from the PTPA.

- Under the PTPA, Peru will immediately eliminate its system of variable levies (price bands) facing U.S. exporters. Under the system, tariffs can be as high as the WTO ceiling of 68 percent on some corn products.
- Peru will provide immediate duty-free access by establishing a 500,000-ton TRQ that grows six percent compounded annually. Peru will phase out the over-quota tariff over 12 years.
- All currently applied duties on crude corn oil will be phased out over three years; on high fructose corn syrup over five years; and on white corn and other corn products within ten years.

- *The Corn Refiners Association, the National Corn Growers Association, the National Grain and Feed Association, the National Grains Trade Council, the North American Export Grain Association, the North American Millers' Association, the American Feed Industry Association, and the Pet Food Institute publicly support the PTPA.*

Sugar. There will be no reductions in the U.S. over-quota duty that currently provides the equivalent of a 100-percent tariff protection for domestic producers including the 2.3-percent of North Dakota's farms engaged in sugar production.

- The United States will establish a 9,000-ton TRQ for Peru. This amount grows very slowly by 2 percent a year into perpetuity, so that by year 15 of the PTPA implementation the TRQ will be 11,520 tons. The United States will also establish a 2,000-ton TRQ for specialty sugar goods from Peru. The specialty sugar TRQ will not grow.
- Provisions will ensure that Peru will only ship when it is a net surplus exporter, and provisions have been agreed to allow alternative forms of compensation to be established to facilitate sugar stock management by the United States.
- *The Sweetener Users Association, the Grocery Manufacturers of America, and the Food Products Association have expressed support publicly for the PTPA.*